# 1999 ANNUAL REPORT

SASKATCHEWAN GOVERNMENT
GROWTH FUND IV LTD.

# SGGF IV

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

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## FUND PROFILE

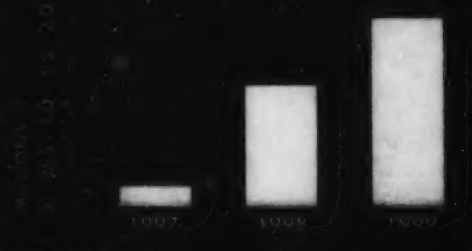
Saskatchewan Government Growth Fund IV Ltd. ("SGGF IV") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada) as amended and was formed as a vehicle for foreign investors to invest in businesses operating in Saskatchewan. It was also formed to facilitate the Investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

Organic Foods Inc.

Nelson Environmental Remediation Ltd.

## FINANCIAL HIGHLIGHTS

OBLIGATIONS TO INVESTORS




TOTAL REVENUE

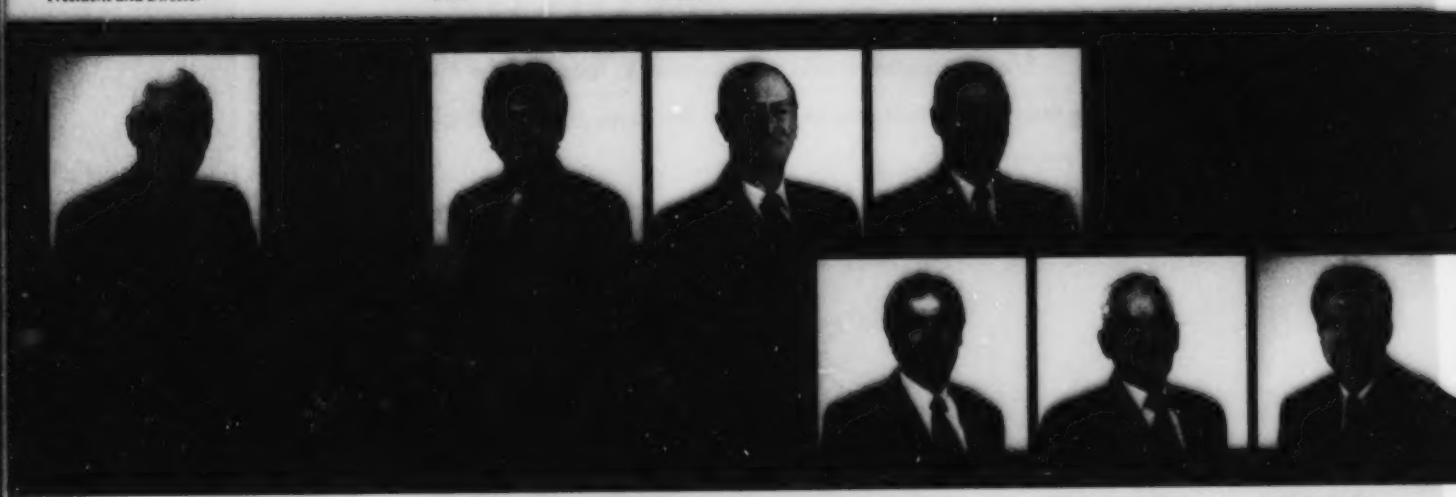
## BOARD OF DIRECTORS AND OFFICERS

**Gary K. Benson**
*President and Director*

**Joanne M. Farer**
*Chair*

**Gerald C. Edwards**
*Director*

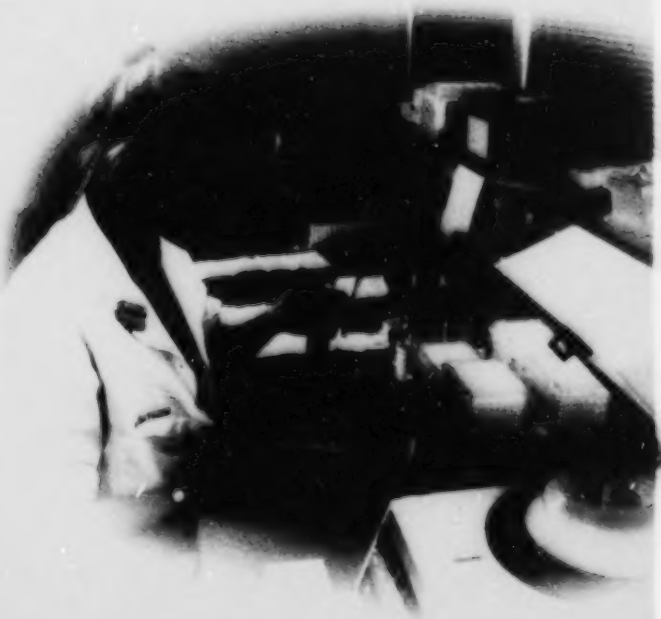
**John G. Johns**
*Director*



**Gordon G. Martler**
*Director*

**Alphonse L. Pasloske**
*Director*

**Keith A. Rissling**
*Director*



## MESSAGE TO INVESTORS

The focus for Saskatchewan Government Growth Fund IV Ltd. (SGGF IV) was to place the capital at its disposal in eligible investments namely small businesses and infrastructure projects. Although $10.0 million was invested the amount was significantly less than expected.

We have seen a reduction in the number of quality investment opportunities and we believe this is the direct consequence of a period of low commodity prices, particularly those in the agriculture sector. Although crude oil and hog prices improved, it was too late to have any meaningful impact on 1999 deal flow. We do expect improved deal flow in 2000.

Our major priority for the coming year will be to complete the placement of $8.9 million, of which $2.6 million is targeted for small and medium-sized enterprises (SMEs). The balance of $6.3 million will be invested in infrastructure projects.

A total of 15 board meetings were held in 1999, nine in person and six by teleconference. We thank retiring board member Gerry Liski for his many contributions and we welcome new members, Keith Rissling and Gary Benson. We want to thank the other members of the board, management and staff, and our outside investment managers for their dedication and effort over the past year.

**Joanne M. Forer**
Chair

**Gary K. Benson**
President

The following are company profiles of investments held during 1999, including the approved investment level and a brief description of each company's operations.

## INVESTMENT PROFILES

### Big Sky Farms Inc.
*$1,000,000 Loan*

Big Sky Farms operates three 2,400 sow, farrow to finish hog operations in Saskatchewan. These operations are among the largest hog production facilities in the province. The company is currently expanding to other areas of the province.

### Biostar Inc.
*$1,155,022 Common shares and loan*

Biostar is a federally incorporated, Saskatoon-based, biotechnology company using advanced technologies to develop and produce high value-added, bio-engineered vaccines. Although its origins were in the animal health industry, Biostar's technology is now also leading to human health applications. Biostar is the first company in the world to successfully manufacture and sell bio-engineered vaccines for cattle.

### FarmGro Organic Foods Inc.
*$1,250,000 Loan*

FarmGro Organic Foods, located outside Regina, Saskatchewan, is an organic flour mill and cleaning and bagging facility for organic grains, specialty crops and seeds.

### Herc Oil Corporation
*$1,500,000 Loan*

Herc Oil Corporation, headquartered in Regina, Saskatchewan, operates in the south-east part of the province and is engaged in the exploration for and development of crude oil producing properties.

### Master Manufacturing
*$750,000 Loan*

The company, located in Moose Jaw, Saskatchewan, manufactures a broad range of pre-engineered all-steel buildings and building components.

### Nelson Environmental Remediation Ltd.
*$600,000 Loan*

Nelson Environmental Remediation Ltd. provides soil reclamation and remediation services to owners of contaminated sites throughout western Canada and the northern United States.



Big Sky Farms Inc.

Big Sky Farms Inc.

Biostar Inc.

Biostar Inc.

**Points North Digital Technologies Inc.**
*$965,500 Loan and common shares*

Points North Digital, located in Saskatoon, Saskatchewan, is a travel technologies company involved in travel information systems development. The company's shares trade on the Canadian Venture Exchange.

**Q Energy Ltd.**
*$500,000 Loan*

The company is based in Calgary, Alberta, and is engaged in the exploration, development and production of gas in Alberta and Saskatchewan.

**Walker Seeds Ltd.**
*$750,000 Loan*

Located in Star City, Saskatchewan, the company is a vertically integrated cleaning, processing, bagging and exporter of specialty crops – peas, lentils and birdseed.

**617275 Saskatchewan Ltd.**
*$12,638,019 Loans*

The company, located in Regina, Saskatchewan, purchases equipment for lease to a Saskatchewan Crown corporation.

FarmGro Organic Foods Inc.
FarmGro Organic Foods Inc.
Nelson Environmental Remediation Ltd.
Nelson Environmental Remediation Ltd.
Points North Digital Technologies Inc.
Points North Digital Technologies Inc.

# MANAGEMENT DISCUSSION AND ANALYSIS

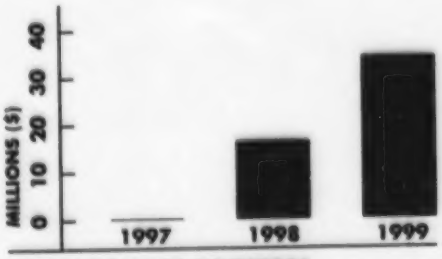
SGGF IV's first full year of operation was 1998. It was incorporated in 1994 with marketing to immigrant investors beginning in November 1996 and commercial operations beginning in 1997.

Since the fund achieved its maximum subscription level of 140 investors in 1998, the focus of activity has been on the investment of this capital in Saskatchewan businesses.

The investment policy of the fund is to invest up to 50% of the subscription proceeds raised in low risk infrastructure loans, up to 30% in small and medium-sized Saskatchewan enterprises (SMEs) and the remainder in short term debt instruments.

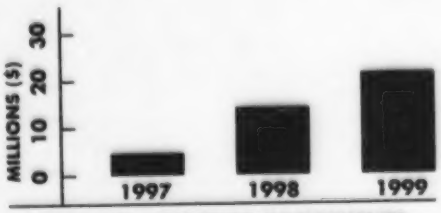
## Investment Activities

The Board of Directors approved a total of $7.5 million of investment during 1999 including new investments in four businesses and two follow-on investments in companies already in the portfolio. In 1998 $10.2 million was approved for investment in five businesses and one follow-on investment. A total of $12.6 million, of the $22.4 million approved to date, has been targeted for low risk infrastructure loans.



OBLIGATIONS TO INVESTORS

A total of $9.8 million, including 1999 approvals and funds committed in 1998, was invested in eligible businesses during the year. Of this $9.8 million of investment, $6.4 million (65%) was invested in SMEs and $3.4 million (35%) in low risk infrastructure loans. This compares to 1998 when, of the $11.9 million invested, $2.6 million (22%) was invested in SMEs and $9.3 million (78%) was in infrastructure loans.



AGGREGATE APPROVED INVESTMENTS

Revenue from investments was $2.5 million in 1999, up significantly over 1998 when only $466,000 was earned. This reflects the higher level of investment during 1999.

## Investor Activities

A total of seventy (70) Notes were issued in 1999 compared to sixty-six (66) in 1998. This brings the total number of Notes issued to one hundred thirty-six (136). Of the 140 full subscriptions received to December 31, 1998, four visa refusals were processed in 1999.

As required by the Confidential Offering Memorandum for SGGF IV, all investors with a Note outstanding at December 31, 1999 were paid 1.5% Note interest for the year.

Points North Digital Technologies Inc. Big Sky Farms Inc.

## Operating Activities

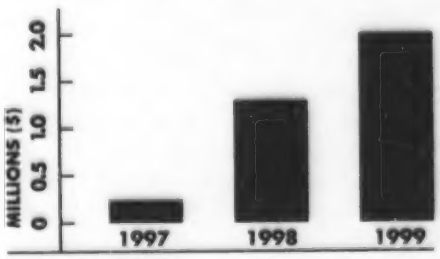
Funds held while awaiting investment in eligible businesses are invested in short-term deposits. Interest earned on these funds is down marginally from 1998 due to higher levels of investment during the year. These revenues are used to pay for the ongoing operating costs of the fund and to provide investors with a nominal return while their subscriptions are in escrow.

Administration costs reflect expenditures related to the ongoing operations of the fund. These costs are up over 1998 and reflect the increased time spent on investment activities in 1999. As a percentage of total assets managed, these costs amounted to 0.76% in 1999 compared to 0.91% in 1998.

Included in administration costs is a $33,000 provision (1998 – nil) for future performance fees payable to investment advisors under the terms of their respective investment services agreements. These future fees are payable to the advisors upon liquidation of their portfolio under management and upon the achievement of certain performance targets.

## Year 2000 Issue

During the year management conducted a detailed review of its information systems and undertook to make the modifications necessary to ensure its systems were year 2000 ready. No problems were experienced during the rollover to the year 2000. However, management is not able to determine if all entities that it does business with are year 2000 ready and any problems that this may cause.




TOTAL REVENUE

Biostar Inc. FarmGro Organic Foods Inc. Nelson Environmental Remediation Ltd. Points North Digital Technologies Inc. Big Sky Farms Inc.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Saskatchewan Government Growth Fund IV Ltd. have been prepared by management in accordance with generally accepted accounting principles, and necessarily include some amounts based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Deloitte & Touche, the corporation's independent auditors, have examined the consolidated financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all financial information is relevant, reliable and accurate and that all transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and ultimately responsible for reviewing and approving these consolidated financial statements.

On behalf of management,

**Gary K. Benson**
President

**Mike Merth, CA, CMA**
Controller

Biostar Inc.

FarmGro Organic Foods Inc.

## AUDITORS' REPORT

To the Shareholders and Investors of Saskatchewan Government Growth Fund IV Ltd.:

We have audited the Consolidated Statement of Financial Position of Saskatchewan Government Growth Fund IV Ltd. as at December 31, 1999, and the Consolidated Statement of Operations and Retained Earnings and Consolidated Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

**Chartered Accountants**
January 31, 2000

# FINANCIAL STATEMENTS

## Saskatchewan Government Growth Fund IV Ltd.

(Incorporated under The Business Corporations Act of Saskatchewan)
Consolidated Statement of Financial Position
As at December 31

| | | |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents (Note 3) | $ 11,620,810 | $ 20,793,477 |
| Short term investment (Note 4) | 3,500,000 | 3,500,000 |
| Accounts receivable and accrued income | 449,292 | 792,573 |
| Investments (Note 5) | 7,332,624 | 2,609,869 |
| Equipment on operating leases (Note 6) | 10,685,155 | 8,698,551 |
| Deferred costs (Note 7) | 2,157,611 | 2,656,997 |
| | **$ 35,745,492** | **$ 39,051,467** |
| **Liabilities and Shareholders' Equity** | | |
| Accounts payable and accrued liabilities (Note 8) | $ 98,347 | $ 106,878 |
| Commissions payable | 495,250 | 754,750 |
| Subscription deposits (Note 9) | 41,613 | 20,710,514 |
| Accrued interest payable to investors | - | 97,695 |
| Obligations to investors (Note 10) | 34,000,000 | 16,750,000 |
| | **34,635,210** | **38,419,837** |
| **Shareholders' Equity** | | |
| Share capital (Note 11) | 1,005 | 1,005 |
| Retained earnings | 1,109,277 | 630,625 |
| | **1,110,282** | **631,630** |
| | **$ 35,745,492** | **$ 39,051,467** |

Commitments (Note 16)

See accompanying notes to financial statements

On behalf of the Board:

Director

Director

Points North Digital Technologies Inc. Nelson Environmental Remediation

## Saskatchewan Government Growth Fund IV Ltd.

**Consolidated Statement of Operations and Retained Earnings**
**For the Year Ended December 31**

| | | |
|---|---|---|
| **Revenues** | | |
| Interest from cash, cash equivalents and short term investment | $ 830,578 | $ 885,116 |
| Income from investments | 528,660 | 338,784 |
| Other income | 1,991,181 | 128,105 |
| | 3,350,419 | 1,352,005 |
| **Expenses** | | |
| Administration (Note 13) | 319,181 | 256,852 |
| Interest on subscription deposits | 105,018 | 196,089 |
| Interest on obligations to investors | 416,239 | 142,305 |
| Amortization of equipment on capital leases | 1,334,443 | - |
| Amortization of deferred costs | 421,886 | 140,679 |
| | 2,596,767 | 735,925 |
| **Income before investment losses** | 753,652 | 616,080 |
| Provision for investment losses | 275,000 | - |
| **Net income** | 478,652 | 616,080 |
| **Retained earnings, beginning of year** | 630,625 | 14,545 |
| **Retained earnings, end of year** | $ 1,109,277 | $ 630,625 |

See accompanying notes to financial statements

## Saskatchewan Government Growth Fund IV Ltd.

**Consolidated Statement of Cash Flows**
**For the Year Ended December 31**

| | [illegible] | [illegible] |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 478,652 | $ 616,080 |
| Adjustments: | | |
| Amortization of equipment on operating leases | 1,334,443 | - |
| Amortization of deferred costs | 421,886 | 140,679 |
| Provision for investment losses | 275,000 | - |
| Net change in non-cash balances related to operations (Note 14) | 55,055 | (2,275,320) |
| Cash flows from operating activities | 2,565,036 | (1,518,561) |
| **Cash flows from investing activities** | | |
| Purchase of short term investment | - | (3,500,000) |
| Disbursements on investments | (6,382,123) | (2,609,869) |
| Repayments of investments | 1,384,368 | - |
| Purchase of equipment on operating leases | (3,321,047) | (8,698,551) |
| Cash flows from investing activities | (8,318,802) | (14,808,420) |
| **Cash flows from financing activities** | | |
| (Repayments of) proceeds from note subscriptions | (3,418,901) | 22,377,506 |
| Cash flows from financing activities | (3,418,901) | 22,377,506 |
| **Net (decrease) increase in cash and cash equivalents** | (9,172,667) | 6,050,525 |
| **Cash and cash equivalents at beginning of year** | 20,793,477 | 14,742,952 |
| **Cash and cash equivalents at end of year** | $ 11,620,810 | $ 20,793,477 |

See accompanying notes to financial statements

Big Sky Farms Inc.

Bicster Inc.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Status of the corporation

Saskatchewan Government Growth Fund IV Ltd. ("SGGF IV") was incorporated in December 1994 under The Business Corporations Act of Saskatchewan and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program. Under this program, SGGF IV was established to raise $35,000,000 through a note offering. Each note is a 1.5% unsecured, subordinated debt instrument with a cost of $250,000, redeemable in five years provided that 70% of the proceeds are maintained in eligible investments. SGGF IV commenced commercial operations in 1997 and achieved its minimum offering of 14 investors in May 1997. The marketing period for SGGF IV ended on March 31, 1999.

Under the terms of the Confidential Offering Memorandum ("Memorandum"), SGGF IV is required to invest in Saskatchewan based businesses which have assets, including associated companies, of less than $35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF IV or of a return on an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the debt instruments.

## 2. Significant accounting policies

**Consolidation**

The consolidated financial statements include the accounts of SGGF IV and those of 617275 Saskatchewan Ltd. ("617275") on a proportionate basis. 617275 is an entity that is jointly controlled by SGGF IV and other companies. 617275 was created to be an eligible business under the guidelines of the Immigrant Investor Program. Loans from SGGF IV to 617275 are used to purchase infrastructure-related assets that are leased to a Saskatchewan Crown corporation under various operating leases. Principal and interest payments due under the loans to 617275 match the lease payments due under the operating leases with the Saskatchewan Crown corporation.

**Investments**

Investments include debt and equity investments in private companies. Investments are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned.

Investments in shares having quoted market values, and which are traded on a recognized exchange, are recorded at the lower of cost and average closing market price for the last 20 days of the year. Unrealized losses in the value of investments in publicly traded shares are recorded in the Consolidated Statement of Operations and Retained Earnings, in the allowance for unrealized losses.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.

There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF IV has significant influence are not consolidated.

**Equipment on operating leases**

Equipment on operating leases is recorded at cost. When this equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Retained Earnings.

Equipment on operating leases is amortized over its estimated useful life on a basis that matches the principal repayments under the related loans.

**Deferred costs**

Deferred costs include consulting, legal, administrative, accounting, general and printing costs associated with SGGF IV's offering. Commissions paid or payable on subscriptions received have also been deferred. Deferred costs, including commissions, are amortized over five years from date of note issuance.

**Commissions payable**

According to the terms of marketing agreements entered into by SGGF IV, a commission is legally payable to the independent marketing agents selling the notes upon the issuance of the investor's immigrant visa.

**Accrued interest payable to investors**

SGGF IV accrues interest on its note subscription deposits from the date of deposit to the date of the note issuance. Investors earn interest at a rate of one and one-half percent (1.5%) per annum.

**Obligations to investors**

Obligations to investors represent the notes issued to investors of SGGF IV. Interest on notes is accrued at an annual rate of one and one-half percent (1.5%) from the date of note issuance. Interest is paid annually on December 31 of each year and at maturity.

### 3. Cash and cash equivalents

Included in cash and cash equivalents are numerous Bankers Acceptances with varying terms that total $9,411,525 (1998 – $17,387,145). These investments all mature within the next 39 days and have interest rates ranging from 4.86% to 4.94%.

### 4. Short term investment

Included in short term investment is a $3,500,000 (1998 – $3,500,000) term deposit, maturing June 9, 2000, with an interest rate of 5.26%. Accrued interest to December 31 is $102,894 (1998 – $102,612).

### 5. Investments

| | 1999 | 1998 |
|---|---|---|
| Debt | $ 6,458,994 | $ 1,757,756 |
| Equity | 1,148,630 | 852,113 |
| Provision for investment losses | (275,000) | - |
| | $ 7,332,624 | $ 2,609,869 |

Included in investments are $1,099,998 (1998 – nil) of impaired investments, net of accumulated provision for losses of $275,000 (1998 – nil), upon which income is not accrued.

Equity investments include publicly traded shares at a cost of $48,632 (1998 – nil), with an aggregate market value of $104,440 (1998 – nil). These are recorded at the lower of cost and average closing market price for the last 20 business days of the year, on an individual basis.

During the year, investments increased as follows:

| | 1999 | 1998 |
|---|---|---|
| Balance, beginning of year | $ 2,609,869 | $ - |
| New investments | 6,382,123 | 2,609,869 |
| Repayments | (1,384,368) | - |
| Provision for investment losses | (275,000) | - |
| Balance, end of year | $ 7,332,624 | $ 2,609,869 |

### 6. Equipment on operating leases

| | 1999 | 1998 |
|---|---|---|
| Equipment on operating leases | $12,019,598 | $8,698,551 |
| Accumulated amortization | (1,334,443) | - |
| | $10,685,155 | $8,698,551 |

Operating lease revenues included in other income amounted to $1,836,287 (1998 – $309,304).

### 7. Deferred costs

Deferred costs have been recorded net of accumulated amortization of $542,606 (1998 – $140,720).

### 8. Accounts payable and accrued liabilities

Included in accrued liabilities is a $29,322 (1998 – nil) provision for future fees payable to various investment advisors under the terms of their respective investment services agreements with SGGF IV. These amounts are payable to the investment advisors upon liquidation of their portfolio under management and upon achievement of certain performance targets.

### 9. Subscription deposits

Subscription deposits are reclassified to obligations to investors upon note issuance.

### 10. Obligations to investors

Notes – 1.5% unsecured subordinated notes.

The obligation at December 31 is:

| | 1999 | 1998 |
|---|---|---|
| 136 notes (1998 – 67 notes) | $34,000,000 | $16,750,000 |

The following is the estimated redemption schedule for note repayments under the terms of the Confidential Offering Memorandum for the year ended December 31:

| | |
|---|---|
| 2002 | $250,000 |
| 2003 | 16,250,000 |
| 2004 | 17,500,000 |
| | $34,000,000 |

### 11. Share capital

The authorized common share capital of SGGF IV at December 31 is:

Class A common shares – an unlimited number of voting common shares. Holders of the Class A common shares are not entitled to receive dividends.

Class B common shares – an unlimited number of voting common shares. Holders of the Class B common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

| | 1999 | 1998 |
|---|---|---|
| 1,000 Class A common shares | $1,000 | $1,000 |

### 12. Financial instruments

SGGF IV's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk. These risk factors may impact upon SGGF IV's ability to repay its obligations to investors at maturity.

**Market Risk**

Market risk faced by SGGF IV is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the business in which SGGF IV invests. Some of the companies in which SGGF IV invests are dependent upon a single product or industry. SGGF IV manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

**Credit Risk**

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF IV restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such investees to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SGGF IV conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its investees on an on-going basis. In addition, some investees operate in and export to other provinces or international markets thereby mitigating this risk.

**Interest Rate Risk**

Interest rate risk reflects the risk that SGGF IV's earnings will decline due to fluctuations in interest rates. SGGF IV manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its obligations to investors. By matching the duration of its assets and liabilities, changes in the fair value of short-term deposits and investments will be offset by changes in the fair value of the obligations to investors.

**Liquidity Risk**

Liquidity risk is the risk that SGGF IV will encounter difficulty in liquidating its investments at an amount close to fair value at the time it is required to redeem its obligations to investors. Due to the nature of some of SGGF IV's investments, the timing of cash flows from its investments may not exactly match with the payments owing under SGGF IV's obligations to investors. SGGF IV carefully monitors the duration of its investments. However, these timing differences may require SGGF IV to reduce or delay the payments owing on its obligations to investors at maturity.

**Measurement Uncertainty**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

**Fair Value – Investments**

There is no active secondary market for many of the investments in which SGGF IV invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

**Fair Value – Obligations to Investors**

Obligations to investors represents the capital invested by immigrant investors in SGGF IV. In addition to earning a nominal return on their capital, their investment in SGGF IV helps satisfy a portion of their visa requirements under Canada's Immigrant Investor Program. Each investment in SGGF IV is irrevocable, except in the case of a visa refusal, for a period of five years. Therefore, no secondary market for the obligations exists. Due to the unique features associated with obligations to investors, the calculation of a fair value with appropriate reliability is impractical. The risk factors that impact the fair value of investments, as described above, will also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value of investments at that time.

Points North Digital Technologies Inc. Big Sky Farms Inc.

## 13. Administration

Under the terms of a ten year Management Agreement, expiring in 2004, between SCGF IV and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF IV with the assistance of various investment advisors to perform due diligence, monitoring and liquidation of investments. SGGF Management Corporation does not guarantee the financial performance of SGGF IV. All services provided to SGGF IV are charged on a fee for service basis. The breakdown of costs is as follows:

| | 1999 | 1998 |
|---|---|---|
| Investment advisors | $ 66,925 | $ 2,635 |
| Wages and salaries | 137,064 | 103,945 |
| General administration | 76,060 | 114,880 |
| Directors fees and expenses | 10,928 | 16,226 |
| Legal and professional | 28,204 | 19,166 |
| | $ 319,181 | $ 256,852 |

Included in investment advisors is a $29,322 (1998 – nil) provision for future fees payable to various investment advisors under the terms of their respective investment services agreements with SGGF IV. These amounts are payable to the investment advisors upon liquidation of their portfolio under management and upon achievement of certain performance targets.

## 14. Net change in non-cash balances related to operations

| | 1999 | 1998 |
|---|---|---|
| Accounts receivable and accrued income | $ 343,281 | $ (789,599) |
| Deferred costs | 77,500 | (1,736,245) |
| Accounts payable and accrued liabilities | (8,531) | 86,329 |
| Commissions payable | (259,500) | 148,750 |
| Accrued charges payable to investors | (97,695) | 15,445 |
| | $ 55,055 | $ (2,275,320) |

## 15. Income taxes

Greater than 90% of the issued shares of SGGF IV are owned by a provincial Crown corporation. Therefore, SGGF IV is income tax exempt.

## 16. Commitments

The total amount of investments approved but not yet disbursed is $768,030 (1998 – $3,130,000).

## 17. Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan government controlled departments, agencies and corporations with which SGGF IV is related. Account balances resulting from these transactions are included in the Consolidated Statement of Financial Position and are settled on normal trade terms.

As stated in Note 13, SGGF IV is under a ten year Management Agreement with SGGF Management Corporation. Total fees paid or payable to SGGF Management Corporation during the year amounted to $286,109 (1998 – $256,852).

Other transactions with related parties are disclosed separately in the financial statements and notes thereto.

### 18. Comparative figures

Certain comparative figures have been reclassified to conform to the current years' presentation.

### 19. Year 2000 issue

The Year 2000 Issue arises because many computer systems use two digits rather than four to identify a year. Date sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than that date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Boxter Inc.

FarmGro Organic Foods Inc.

Heldon Environmental Remediation Ltd. Pointe North Digital Technologies Inc. Big Sky Farms Inc. Biostar Inc. FarmGro Organic Foods Inc.

## CORPORATE DATA

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Melfort, Saskatchewan

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President
Regina, Saskatchewan

Gerald C. Edwards
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Regina, Saskatchewan

John G. Johns
Associate Professor
Regina, Saskatchewan

Gordon G. Mertler
Businessman
Regina, Saskatchewan

Alphonse L. Pasloske
Retired Businessman
Saskatoon, Saskatchewan

Keith A. Rissling
Businessman
Saskatoon, Saskatchewan

### Officers

Joanne M. Forer, Chair
Gary K. Benson, President

### Management and Staff
### SGGF Management Corporation

Gary K. Benson, President and CEO
Rob Duguid, Vice President, Investments
Lyle Bolen, CA, Investment Manager
Mike Merth, CA, CMA, Controller
Janet Zakresky, Analyst
Karla Protz, Executive Assistant
Joyce Pakuliak, Accounting Administrator
Nancy Layman, Fund Administrator
Sally Nameth, Receptionist

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Chartered Accountants
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Regina, Saskatchewan S4P 4B3

### Banker

Bank of Montreal
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Regina, Saskatchewan S4P 2G3

### Distribution Agents

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Suite 1080 – 2002 Victoria Avenue
Regina, Saskatchewan S4P 0R7

Points North Digital Technologies Inc. Nelson Environmental Remediation

Big Sky Farms Inc.
Biostar Inc.
FarmGro Organic Foods Inc.
Nelson Environmental Remediation Ltd.
Points North Digital Technologies Inc.



**SASKATCHEWAN GOVERNMENT GROWTH FUND IV LTD.**

SASKATCHEWAN GOVERNMENT
GROWTH FUND (VAT)